

Rep. Baird Urges Extension of Sales Tax Deduction (May 11, 2007)

Washington, D.C. - Continuing his ongoing efforts to ensure that Washingtonians get tax fairness, Congressman Brian Baird (WA-03), a member of the House Budget Committee, sent the following letter yesterday to House and Senate Budget Conferees urging them to include an extension of the sales tax deduction in the final budget. Fifty-four of Congressman Baird's colleagues signed onto his letter. Rep. Baird has led the effort in the House to make sales tax deductibility permanent and has consistently worked with colleagues on both sides of the aisle to extend the tax deductions.

"This is about tax fairness for hard-working middle class families," said Congressman Baird. "Washingtonians save millions of dollars from this deduction; money that is used to pay college tuition, fund home improvement projects, and purchase family cars. All of this equals money that is put back into our local economy."

As a member of the Budget Committee, Congressman Baird successfully provided for an extension in the House version of the FY 2008 budget. The letter sent to conferees is to ensure that extension is included in the final budget, and is the next step in making sales tax deduction permanent. Last year, he led the effort to extend the deduction for the 2006 and 2007 tax years.

According to the Department of Revenue, Washington residents saved \$355 million in federal taxes in 2004 due to tax deduction for state and local sales tax. Washingtonians who itemize can save, on average, \$500 if they take the sales tax deduction.

House Conferees on the Budget

207 Cannon House Office Building

U.S. House of Representatives

Washington, DC 20515

Senate Conferees on the Budget

624 Dirksen Senate Office Building

U.S. Senate

Washington, DC 20510

Dear Conferees on the Budget,

We write to encourage you to include in the final Budget an extension of the sales tax deduction, and to provide for appropriate funding levels to support the extension.

As you may know, prior to 1986 the tax code allowed for a sales tax deduction. When the deduction was repealed, it resulted in a significant disparity between states, a disparity which is profoundly unfair. Residents of states that charge income tax could deduct their state income tax from their federal tax bill. However, those living in states without an income tax - states that rely instead on a sales tax - could not deduct their state taxes. These individuals ended up paying significantly more to the federal government than a taxpayer with an identical profile in a different state.

As Members from states without an income tax, we have been working to restore equity to the federal tax code by reinstating the sales tax deduction. After years of work, we were finally successful in restoring the deduction in the American Jobs Creation Act that was passed in 2004. This bill allowed those living in states that have an income tax to take an income tax deduction as they have in the past. However, residents of states that do not use an income tax were provided with the opportunity to take a similar deduction. Restoring the sales tax deduction provided a great benefit to our constituents, saving them millions of dollars per year. These tax savings resulted in a boost to the economies of our states.

Unfortunately, the sales tax deduction that was reinstated applied only to the 2004 and 2005 tax years. We managed to have its extension granted as part of the tax extenders package that was passed at the end of 2006, allowing the deductibility of sales taxes through the 2007 tax year. The deduction is now set to expire at the end of this year. If the sales tax deduction becomes unavailable to the residents of the seven states without a state income tax, it will negatively affect millions of taxpayers in those states – Washington, Florida, Texas, Nevada, Tennessee, South Dakota, and Wyoming. These seven states are represented by 80 Members of Congress, or nearly 20% of all Members of the House of Representatives.

We strongly believe that the issue of tax fairness should be a top priority. Residents of our states rightfully expect that they will continue to be treated equally under the law by the federal government, regardless of the local tax system elected by their state.

We frequently hear about the importance of certainty and predictability in our tax code. It is important for taxpayers to know whether a tax deduction or incentive will continue to be available so that they can make important day-to-day decisions.

The sales tax deduction has received the support of countless individuals and organizations throughout the country, including the National Conference of State Legislators and the Governors from each of the sales tax states.

We strongly urge you to maintain fairness in the tax code by including a provision to extend the sales tax deduction in the final version of the Budget.

Thank you for your attention and consideration of this important request.

Sincerely,

Brian Baird (WA-03)
Kevin Brady (TX-08)
Michael C. Burgess (TX-26)
Rick Larsen (WA-02)
Barbara Cubin (WY-At Large)
Norman D. Dicks (WA-06)
John R. Carter (TX-31)
Adam Smith (WA-09)
Mario Diaz-Balart (FL-25)
Connie Mack (FL-14)
Silvestre Reyes (TX-16)
Lincoln Davis (TN-04)
Ralph Hall (TX-04)
Shelley Berkley (NV-01)
Dave Weldon (FL-15)
Cathy McMorris Rodgers (WA-05)
Bart Gordon (TN-06)
Vern Buchanan (FL-13)

Michael Conaway (TX-11)
Lincoln Diaz-Balart (FL -21)
David G. Reichert (WA-08)
Gene Green (TX-29)
Marsha Blackburn (TN-07)
Lamar Smith (TX-21)
Jeff Miller (FL-01)
Robert Wexler (FL-19)
Doc Hastings (WA-04)
John L. Mica (FL-07)
Jay Inslee (WA-01)
Tom Feeney (FL-24)

Corrine Brown (FL-03)
Debbie Wasserman Schultz (FL-20)
Pete Sessions (TX-32)
Jeb Hensarling (TX-05)
Joe Barton (TX-06)
Louie Gohmert (TX-01)
Stephanie Herseth Sandlin (SD-At Large)
Michael T. McCaul (TX-10)
Henry Cuellar (TX-28)
Nick Lampson (TX-22)
Jim McDermott (WA-07)
C.W. Bill Young (FL-10)
Jon C. Porter (NV-03)
Gus M. Bilirakis (FL-09)
John J. Duncan, Jr. (TN-02)
Ginny Brown-Waite (FL-05)
Solomon P. Ortiz (TX-27)
Kay Granger (TX-12)
Charles A. Gonzalez (TX-20)
Dean Heller (NV-02)
Ileana Ros-Lehtinen (FL-18)
Ander Crenshaw (FL-04)
Ric Keller (FL-08)
Sam Johnson (TX-03)
Randy Neugebauer (TX-19)

###